

FISCAL NOTE

SB 371 - HB 1515

February 20, 1997

SUMMARY OF BILL: Amends the retirement law as follows:

- Adjustments to a retiree's retirement allowance will be made only if there is an *increase* in the Consumer Price Index
- Requires a cost-of-living increase even if the increase in the Consumer Price Index is less than 1%
- Makes the cost-of-living adjustments based upon the accumulated retirement allowance
- Requires that on 7-1-97, each retiree's current retirement allowance be increased to reflect approximately what the retiree's retirement allowance would have been had the retiree received such cumulative cost-of-living adjustments
- Provisions of the bill are optional to local political subdivisions

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$56,947,000 Annual Amortized Cost

**Increase Local Govt Expenditures* - \$15,822,000 Annual Amortized Cost
\$10,245,000/Permissive Annual Amortized Cost**

Other Fiscal Impact - Increase Federal / Other Expenditures - \$6,676,000 Annual Amortized Cost

Estimate above assumes:

- Total lump sum liability to state government of \$810,105,000
- Total lump sum liability for local government employees of \$98,670,000 which is optional
- Annual amortized cost assumes a 20-year amortization of the lump sum liability
- K-12 teachers assumes a 70%-30% ratio between state and local funding
- Liability is determined assuming an increase in the CPI of 3% or more each calendar year

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director